

TOTAL COMMUNITY ACTION, INC.

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

December 31, 2012

TOTAL COMMUNITY ACTION, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Total Community Action, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Total Community Action, Inc. (a non-profit organization), which comprise the statement of the financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Total Community Action, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Total Community Action, Inc.'s 2011 financial statements, and our report dated May 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013, on our consideration of Total Community Action, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Total Community Action, Inc.'s internal control over financial reporting and compliance.

Justin J. Scanlan, CPA, LLC

New Orleans, Louisiana
April 24, 2013

TOTAL COMMUNITY ACTION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

		SUMMARIZED COMPARATIVE INFORMATION <u>December 31, 2011</u>
ASSETS		
Cash	\$ 580,322	\$ 235,557
Certificates of deposit	541,071	537,746
Investment securities (Notes A5 and B)	1,821,323	1,719,594
Receivables		
Grants (Notes A6 and C)	2,374,560	2,687,606
Interest	195	261
Other	<u>348,812</u>	<u>8,429</u>
	<u>2,723,567</u>	<u>2,696,296</u>
Property and equipment-at cost (Note A4 and D)	7,865,738	5,863,415
Economic interest – Economic Development Unit, Inc. (Note E)	<u>433,200</u>	<u>433,200</u>
Total assets	<u>\$ 13,965,221</u>	<u>\$ 11,485,808</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 2,786,733	\$ 2,144,792
Pension contribution payable (Note F)	<u>28,680</u>	<u>191,238</u>
Total liabilities	<u>2,815,413</u>	<u>2,336,030</u>
Commitments (Note G)	-	-
Net assets		
Unrestricted	241,935	387,036
Temporarily restricted (Note H)	9,602,301	7,545,104
Permanently restricted (Note I)	<u>1,305,572</u>	<u>1,217,638</u>
Total net assets	<u>11,149,808</u>	<u>9,149,778</u>
Total liabilities and net assets	<u>\$ 13,965,221</u>	<u>\$ 11,485,808</u>

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	<u>SUMMARIZED COMPARATIVE INFORMATION For the year ended December 31, 2011</u>
REVENUES					
Government grants	\$ -	\$ 33,052,290	\$ -	\$ 33,052,290	\$ 39,161,294
Investment income (Note B)	1,110	13,264	24,705	39,079	53,610
Other	5,029	6,478	-	11,507	6,004
Net assets released from restrictions	<u>30,945,481</u>	<u><31,008,710></u>	<u>63,229</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>30,951,620</u>	<u>2,063,322</u>	<u>87,934</u>	<u>33,102,876</u>	<u>39,220,908</u>
EXPENSES					
Salaries	8,222,763	-	-	8,222,763	8,416,478
Fringe benefits	2,823,961	-	-	2,823,961	2,947,055
Travel	161,614	-	-	161,614	181,867
Contractual	2,367,503	-	-	2,367,503	2,378,087
Supplies	987,018	-	-	987,018	1,467,118
Food costs	792,839	-	-	792,839	813,523
Subrecipient costs	9,411,401	-	-	9,411,401	9,165,762
Equipment expense	264,047	-	-	264,047	583,439
Insurance	248,041	-	-	248,041	263,699
Assistance to individuals	3,676,224	-	-	3,676,224	7,026,745
Telephone	212,732	-	-	212,732	240,893
Occupancy	691,408	-	-	691,408	717,033
Construction costs	596,598	-	-	596,598	4,024,139
Vehicle expense	16,477	-	-	16,477	22,069
Postage	9,252	-	-	9,252	10,149
Other costs	<u>614,843</u>	<u>-</u>	<u>-</u>	<u>614,843</u>	<u>944,721</u>
TOTAL EXPENSES	<u>31,096,721</u>	<u>-</u>	<u>-</u>	<u>31,096,721</u>	<u>39,202,777</u>
Increase <decrease> in net assets	< 145,101 >	2,063,322	87,934	2,006,155	18,131
Return funds to funding source	-	< 6,125 >	-	< 6,125 >	< 43,400 >
Net assets, beginning of year	<u>387,036</u>	<u>7,545,104</u>	<u>1,217,638</u>	<u>9,149,778</u>	<u>9,175,047</u>
Net assets, end of year	<u>\$ 241,935</u>	<u>\$ 9,602,301</u>	<u>\$ 1,305,572</u>	<u>\$ 11,149,808</u>	<u>\$ 9,149,778</u>

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

**SUMMARIZED
COMPARATIVE
INFORMATION
For the year
ended
December 31, 2011**

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		
Increase in net assets	\$ 2,006,155	\$ 18,131
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized appreciation <depreciation> of investments	5,802	29,510
<Gain> loss on sale of securities	17,371	< 10,214>
Depreciation expense	209,018	185,691
Return of funds to funding source	< 6,125>	< 43,400>
Changes in assets and liabilities:		
<Increase > decrease in grants receivable	313,046	346,758
<Increase > decrease in accrued interest	66	1,515
<Increase > decrease in other receivables	< 340,383>	3,797
Increase <decrease> in accounts payable and accrued liabilities	641,941	264,091
Increase <decrease> in pension contribution payable	< 162,558>	< 559,658>
Net cash provided by (used in) operating activities	<u>2,684,333</u>	<u>236,221</u>
Cash flows from investing activities:		
Purchase of investment securities	< 1,047,296>	< 2,764,008>
Proceeds from sale of investments	922,394	2,519,202
Purchase of certificates of deposit	< 3,325>	< 5,393>
Capitalization of building costs	< 2,211,341>	< 81,850>
Net cash provided by (used in) investing activities	<u>< 2,339,568></u>	<u>< 332,049></u>
Net increase <decrease> in cash and cash equivalents	344,765	< 95,828>
Cash and cash equivalents, beginning of year	<u>235,557</u>	<u>331,385</u>
Cash and cash equivalents, end of year	<u>\$ 580,322</u>	<u>\$ 235,557</u>

The accompanying notes are an integral part of this financial statement.

TOTAL COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Total Community Action, Inc. was organized to promote and develop economic opportunity in the City of New Orleans, to promote the education and welfare of the people of New Orleans, and to mobilize such human and financial resources as may be available to combat poverty in New Orleans.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the corporation maintains them permanently. Generally, the donors of these assets permit the corporation to use all or part of the income earned on related investments for general or specific purposes.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets and permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. The depreciation expense for the year ended December 31, 2012 totaled \$209,018.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Property and Equipment - continued

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

5. Investment Securities

Under FASB ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains or losses are included in the change in net assets.

6. Receivables

The corporation considers accounts receivable to be fully collectable since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

7. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

9. Fair Values of Financial Investments

Cash, and cash equivalent amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

The fair values of investment securities are based upon quoted market prices for those or similar investments.

10. Functional Allocation of Expenses

The expense of providing the program and other activities has been summarized on a functional basis in Note O. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (April 24, 2013).

12. Summarized Comparative Information

Summarized comparative information are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - INVESTMENT SECURITIES

Investment securities, cost and approximate market value at December 31, 2012, consist of the following:

	<u>Fair Market Value</u>	<u>Cost</u>
Money market accounts	\$ 9,957	\$ 9,957
Corporate bonds	19,797	20,000
Government securities	1,287,640	1,272,648
Mutual funds	<u>503,929</u>	<u>514,261</u>
	<u>\$ 1,821,323</u>	<u>\$ 1,816,866</u>

The unrealized appreciation for the year ended December 31, 2012, totaled \$5,802. As of December 31, 2012, the cumulative unrealized appreciation totaled \$4,457.

Investment income for the year ended December 31, 2012, consists of the following:

Interest income	\$ 9,512
Dividend income	41,136
Loss on sale of securities	< 17,371 >
Unrealized appreciation of investment securities	<u>5,802</u>
	<u>\$ 39,079</u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE C - GRANTS RECEIVABLE

The grants receivable consist of the following as of December 31, 2012:

U.S. Department of Health and Human Services	\$ 1,548,825
City of New Orleans	41,055
State of Louisiana – Department of Education	205,126
State of Louisiana – Louisiana Workforce Commission	103,075
Louisiana Association of Community Action Partnerships	<u>476,479</u>
	<u>\$ 2,374,560</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012, consist of the following:

Building	\$ 4,453,353
Building improvements	1,817,203
Construction-in-progress	<u>2,211,341</u>
	8,481,897
Less accumulated depreciation	<u>< 724,459 ></u>
	7,757,438
Land	<u>108,300</u>
	<u>\$ 7,865,738</u>

Total Community Action, Inc. follows the practice of not capitalizing furniture, fixtures and equipment acquired with federal or state funds, since the government has a reversionary interest in such assets. These assets total \$414,924 at December 31, 2012. Also, the federal government has a financial interest in the buildings and improvements.

NOTE E – ECONOMIC INTEREST – ECONOMIC DEVELOPMENT UNIT, INC.

On November 2, 1999, Total Community Action, Inc. cancelled its note receivable with Economic Development Unit, Inc. totaling \$433,200. In consideration of the cancellation of the note, Total Community Action, Inc. received three appointments to the Board of Directors of Economic Development Unit, Inc. The Board of Directors shall consist of between six and nine members. In addition, upon dissolution of Economic Development Unit, Inc., the assets shall be donated and distributed to Total Community Action, Inc. The Articles of Incorporation of Economic Development Unit, Inc. has been amended to reflect the change in the Board of Director's composition and the distribution of its assets and property upon dissolution.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE E – ECONOMIC INTEREST – ECONOMIC DEVELOPMENT UNIT, INC. - CONTINUED

The unaudited financial statements of Economic Development Unit, Inc. as of and for the year ended December 31, 2012, consist of the following:

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

ASSETS		LIABILITIES AND NET ASSETS	
Cash	\$ 78,587	Note payable-financial institutions	\$ 466,122
Receivables	9,397		
Property and equipment-at cost		Accounts payable and accrued liabilities	<u>27,616</u>
Building	604,030	Total liabilities	493,738
Improvements	<u>78,365</u>		
	682,395		
less accumulated depreciation	<u><682,395></u>		
	-		
Land	<u>200,000</u>	Net assets - unrestricted	<u>< 205,754></u>
	<u>200,000</u>	Total net assets	<u>< 205,754></u>
Total assets	<u>\$ 287,984</u>	Total liabilities and net assets	<u>\$ 287,984</u>

**STATEMENT OF ACTIVITIES
For the year ended December 31, 2012**

REVENUE

Grant revenue	\$ 123,568
Rental income	227,239
Interest income	320
Other income	<u>9,600</u>
Total revenue	<u>360,727</u>

EXPENSES

Rental expenses	98,018
Management and general	93,571
Repairs – Katrina related	<u>121,398</u>
Total expenses	<u>312,987</u>

Increase <decrease> in net assets	47,740
Net assets, beginning of year	<u>< 253,494></u>
Net assets, end of year	<u>\$ < 205,754></u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE F – PENSION PLAN

Total Community Action, Inc. sponsors a defined contribution employee pension plan covering all employees twenty-one years or older who have worked for the corporation a minimum of three years. The corporation decides the amount, if anything, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The percentage for the year ended December 31, 2012 was 9.5% or \$787,706. There was no change in the percentage from the prior year.

NOTE G – COMMITMENTS

The corporation leases its administrative and program offices. The offices located at South Jefferson Davis Parkway, New Orleans are leased through December 31, 2050. All other offices are leased annually. The rental expense for the year ended December 31, 2012 totaled \$381,946. The aggregate maturities of the long-term lease consist of the following:

<u>Year ended</u> <u>December 31,</u>	
2013	\$ 209,975
2014	209,975
2015	209,975
2016	209,975
2017	209,975
2018-2022	1,049,875
2023-2027	1,049,875
2028-2032	1,049,875
2033-2037	1,049,875
2038-2042	1,049,875
2043-2047	1,049,875
2048-2050	<u>629,925</u>
	<u>\$ 7,979,050</u>

Since Hurricane Katrina damaged the facility in August, 2005, lease payments were suspended for offices not occupied by Total Community Action, Inc. As the administrative and program offices are repaired, lease payments will continue accordingly.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2012, the temporarily restricted net assets consist of the following:

Assets For Independence Demonstration	\$ 62,873
Home Energy Assistance Program	229,908
Food Distribution Program	889
Financial futures	2,906
Emergency Food and Shelter Program	15
Greater New Orleans Foundation	47,870
Unity of Greater New Orleans, Inc.	2,598
Insurance – Hurricane Katrina	1,345,576
Property and equipment	7,865,738
Healthy Marriage and Responsible Fatherhood Community Demonstration Initiative	750
Community Services Block Grant	17,765
Earned Income Tax Credit Program	18,916
City of New Orleans - GVRs	3,533
City of New Orleans - Goodwill	2,964
	<u>\$ 9,602,301</u>

NOTE I – PERMANENTLY RESTRICTED NET ASSETS

Total Community Action, Inc. is self-insured for employee unemployment compensation claims through the establishment of an unemployment insurance fund.

Transfers of \$114,509 were made from program funds to the unemployment insurance fund for the year ended December 31, 2012, which is accounted for as revenue of the unemployment insurance fund and an expense of the related program. The unemployment insurance fund reimburses the unrestricted fund for all direct costs in administering the program and transfers all net interest income earned on unemployment insurance funds to the unrestricted fund.

All known claims as of December 31, 2012 have been recorded in the financial statements.

NOTE J – RELATED PARTY TRANSACTIONS

The principal premises of Total Community Action, Inc. is leased from an affiliated non-profit corporation. The lease is a long-term lease expiring December 31, 2050. The rental payments for the year ended December 31, 2012 totaled \$223,663.

NOTE K – INCOME TAXES

The corporation is exempt from corporation income taxes under Section 501(c)(3) of the Internal Revenue Code.

The corporation has adopted the provisions of FASB ASC 740-10-25, which requires a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The corporation does not believe its financial statements include any uncertain tax positions.

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE L – BOARD OF DIRECTORS

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE M – INSURANCE – HURRICANE KATRINA

During 2006, the corporation received insurance proceeds totaling \$1,536,814. Since the premiums were paid with federal and non-federal funds, the corporation elected to utilize the non-federal portion first. As of December 31, 2012, the balance of insurance proceeds (\$1,345,576) will be classified as temporarily restricted net assets and benefit the programs that directly contributed to the end-of-year amounts (Head-Start Program).

NOTE N – CONCENTRATION OF CREDIT RISK

The corporation's cash balance as of December 31, 2012, before deducting outstanding checks, consists of the following:

Financial institutions		\$ 2,116,700
Less: FDIC and FSLIC insurance	\$ 1,395,402	
Pledged securities	<u>721,298</u>	<u>2,116,700</u>
Unsecured balance		<u>\$ -0-</u>

Total Community Action, Inc. invests in corporate bonds, government securities, and mutual funds. Investment securities are subject to various risks; such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term.

NOTE O – FUNCTIONAL EXPENSES

The functional expenses for the year ended December 31, 2012 consist of the following:

Program services	
Daycare/Head Start Services	\$ 24,324,441
Community Services	1,531,237
Home Energy Assistance	3,818,574
Weatherization	181,673
Food Distribution Program	<u>47,943</u>
	<u>29,903,868</u>
Supportive services	
Management and General	<u>1,192,853</u>
Total expenses	<u>\$ 31,096,721</u>

TOTAL COMMUNITY ACTION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2012

NOTE P – ECONOMIC DEPENDENCY

Total Community Action, Inc. receives a majority of its revenues from funds provided through grants administered by the Department of Human Services and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are effected at the federal and/or state level, the amount of the funds Total Community Action, Inc. receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds Total Community Action, Inc. will receive in the next fiscal year.

The corporation is supported primarily through grants from governmental agencies. Approximately 99% of the corporation support for the year ended December 31, 2012 came from these grants.

NOTE Q – FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB ASC 820-10, Fair Value Measurement, requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments are included in the table below.

<u>Fair Value Measurement of Reporting Date</u>				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 9,957	\$ 9,957	\$ -	\$ -
Certificates of deposit	541,071	541,071	-	-
Corporate bonds	19,797	19,797	-	-
Government securities	1,287,640	1,287,640	-	-
Mutual funds	503,929	503,929	-	-
	<u>\$ 2,362,394</u>	<u>\$ 2,362,394</u>	<u>\$ -</u>	<u>\$ -</u>

The assumptions to estimate fair values are as follows:

1. Certificates of deposit carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
2. The fair market value of marketable securities are based on quoted market prices for those or similar investments.

The fair value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate book value at December 31, 2012, due to the short-term nature of these accounts.

SUPPLEMENTAL INFORMATION

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

	<u>HEAD START GRANT</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>COMMUNITY SERVICES BLOCK GRANT PROGRAM</u>	<u>GREATER NEW ORLEANS FOUNDATION</u>	<u>HOME ENERGY ASSISTANCE PROGRAM</u>	<u>HEALTHY MARRIAGE AND RESPONSIBLE FATHERHOOD COMMUNITY DEMONSTRATION INITIATIVE</u>
REVENUES						
Grant appropriations	\$ 26,544,919	\$ 706,618	\$ 1,741,964	\$ 47,870	\$ 3,827,082	\$ -
Investment income	459	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>26,545,378</u>	<u>706,618</u>	<u>1,741,964</u>	<u>47,870</u>	<u>3,827,082</u>	<u>-</u>
EXPENSES						
Salaries	6,520,596	475,294	984,772	-	164,858	-
Fringe benefits	2,281,349	218,472	298,388	-	57,071	-
Travel	140,876	-	16,918	-	3,505	-
Contractual	2,340,676	-	-	-	4,157	-
Supplies	897,731	35,871	40,763	-	6,968	-
Food costs	797,594	< 25,341 >	-	-	-	-
Subrecipient costs	9,411,401	-	-	-	-	-
Equipment expenses	171,302	-	60,974	-	16,306	-
Insurance	213,479	-	25,730	-	8,832	-
Assistance to individuals	-	-	26,613	-	3,514,733	-
Telephone	149,192	-	59,502	-	4,038	-
Occupancy	506,283	-	155,490	-	18,962	-
Construction costs	596,598	-	-	-	-	-
Vehicle expense	14,597	-	1,880	-	-	-
Postage	3,568	-	2,307	-	438	-
Other costs	288,795	2,322	68,556	-	18,706	-
	<u>24,334,037</u>	<u>706,618</u>	<u>1,741,893</u>	<u>-</u>	<u>3,818,574</u>	<u>-</u>
Increase <decrease> in net assets	2,211,341	-	71	47,870	8,508	-
Construction-in-Progress	< 2,211,341 >	-	-	-	-	-
Return of funds to funding source	-	-	-	-	-	-
Transfer costs to/from general	-	-	-	-	< 8,508 >	-
Net assets beginning of year	-	-	17,694	-	229,908	750
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,765</u>	<u>\$ 47,870</u>	<u>\$ 229,908</u>	<u>\$ 750</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2012

	CITY OF NEW ORLEANS GVRS	EARNED INCOME TAX CREDIT PROGRAM	FOOD DISTRIBUTION PROGRAM CITY OF NEW ORLEANS	WEATHERIZATION PROGRAM ARRA
REVENUES				
Grant appropriations	\$ 28,000	\$ -	\$ 35,346	\$ 88,237
Investment income	-	-	-	-
Other	-	-	-	-
	<u>28,000</u>	<u>-</u>	<u>35,346</u>	<u>88,237</u>
EXPENSES				
Salaries	15,847	-	140	25,015
Fringe benefits	4,266	-	45	8,580
Travel	-	-	-	-
Contractual	-	-	10,024	2,920
Supplies	553	-	4,773	-
Food costs	-	-	20,586	-
Subrecipient costs	-	-	-	-
Equipment expenses	3,601	-	9,164	-
Insurance	-	-	-	-
Assistance to individuals	-	-	-	134,878
Telephone	-	-	-	-
Occupancy	-	-	-	5,153
Construction costs	-	-	-	-
Vehicle expense	-	-	-	-
Postage	-	-	2,775	-
Other costs	<u>200</u>	<u>-</u>	<u>436</u>	<u>5,127</u>
	<u>24,467</u>	<u>-</u>	<u>47,943</u>	<u>181,673</u>
Increase <decrease> in net assets	3,533	-	< 12,597 >	< 93,436 >
Construction-in-Progress	-	-	-	-
Return of funds to funding source	-	-	-	-
Transfer costs to/from general	-	-	-	119,529
Net assets beginning of year	-	18,916	13,486	< 26,093 >
Net assets, end of year	<u>\$ 3,533</u>	<u>\$ 18,916</u>	<u>\$ 889</u>	<u>\$ -</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES – CONTINUED

For the year ended December 31, 2012

	<u>CITY OF NEW ORLEANS GOODWILL</u>	<u>HEAD START EHS 2009 ARRA EXPANSION</u>	<u>EMERGENCY FOOD AND SHELTER</u>
REVENUES			
Grant appropriations	\$ 32,254	\$ -	-
Investment income	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
	<u>32,254</u>	<u>-</u>	<u>-</u>
EXPENSES			
Salaries	21,555	-	-
Fringe benefits	5,035	-	-
Travel	-	-	-
Contractual	-	-	-
Supplies	-	-	-
Food costs	-	-	-
Subrecipient costs	-	-	-
Equipment expenses	2,700	-	-
Insurance	-	-	-
Assistance to individual	-	-	-
Telephone	-	-	-
Occupancy	-	-	-
Construction costs	-	-	-
Vehicle expense	-	-	-
Postage	-	-	-
Other costs	<u>-</u>	<u>-</u>	<u>-</u>
	<u>29,290</u>	<u>-</u>	<u>-</u>
Increase <decrease> in net assets	2,964	-	-
Construction-in-progress	-	-	-
Return of funds to funding source	-	< 6,125>	-
Transfer costs to/from general	-	-	-
Net assets, beginning of year	<u>-</u>	<u>6,125</u>	<u>15</u>
Net assets, end of year	<u>\$ 2,964</u>	<u>\$ -</u>	<u>\$ 15</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2012

	<u>GENERAL</u>	<u>UNEMPLOYMENT</u>	<u>INSURANCE HURRICANE KATRINA</u>	<u>UNITY OF GREATER NEW ORLEANS, INC. HOUSING PLUS</u>
REVENUES	\$ -	\$ -	\$ -	\$ -
Grant appropriations	1,110	24,705	12,536	-
Investment income	<u>5,029</u>	<u>114,509</u>	-	-
Other	<u>6,139</u>	<u>139,214</u>	<u>12,536</u>	<u>-</u>
EXPENSES				
Salaries	14,686	-	-	-
Fringe benefits	14,064	51,200	-	-
Travel	315	-	-	-
Contractual	9,726	-	-	-
Supplies	359	-	-	-
Food costs	-	-	-	-
Subrecipient costs	-	-	-	-
Equipment expenses	-	-	-	-
Insurance	-	-	-	-
Assistance to individual	-	-	-	-
Telephone	-	-	-	-
Occupancy	5,520	-	-	-
Construction costs	-	-	-	-
Vehicle expense	-	-	-	-
Postage	164	-	-	-
Other costs	<u>21,478</u>	<u>80</u>	<u>125</u>	<u>-</u>
	<u>66,312</u>	<u>51,280</u>	<u>125</u>	<u>-</u>
 Increase <decrease> in net assets	 < 60,173 >	 87,934	 12,411	 -
Construction-in-progress	-	-	-	-
Return of funds to funding source	-	-	-	-
Transfer costs to/from general	< 111,021 >	-	-	-
 Net assets, beginning of year	 <u>413,129</u>	 <u>1,217,638</u>	 <u>1,333,165</u>	 <u>2,598</u>
Net assets, end of year	<u>\$ 241,935</u>	<u>\$ 1,305,572</u>	<u>\$ 1,345,576</u>	<u>\$ 2,598</u>

TOTAL COMMUNITY ACTION, INC.

COMBINED STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2012

	<u>FINANCIAL FUTURES</u>	<u>ASSETS FOR INDEPENDENCE DEMONSTRATION</u>	<u>PROPERTY AND EQUIPMENT</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUES					
Grant appropriations	\$ -	\$ -	\$ -	\$ -	\$ 33,052,290
Investment income	-	269	-	-	39,079
Other	-	<u>6,478</u>	-	<u>< 114,509></u>	<u>11,507</u>
	-	<u>6,747</u>	-	<u>< 114,509></u>	<u>33,102,876</u>
EXPENSES					
Salaries	-	-	-	-	8,222,763
Fringe benefits	-	-	-	<u>< 114,509></u>	2,823,961
Travel	-	-	-	-	161,614
Contractual	-	-	-	-	2,367,503
Supplies	-	-	-	-	987,018
Food costs	-	-	-	-	792,839
Subrecipient costs	-	-	-	-	9,411,401
Equipment expenses	-	-	-	-	264,047
Insurance	-	-	-	-	248,041
Assistance to individual	-	-	-	-	3,676,224
Telephone	-	-	-	-	212,732
Occupancy	-	-	-	-	691,408
Construction costs	-	-	-	-	596,598
Vehicle expense	-	-	-	-	16,477
Postage	-	-	-	-	9,252
Other costs	-	-	<u>209,018</u>	-	<u>614,843</u>
	-	-	<u>209,018</u>	<u>< 114,509></u>	<u>31,096,721</u>
Increase <decrease> in net assets	-	6,747	<u>< 209,018></u>	-	2,006,155
Construction-in-progress	-	-	2,211,341	-	-
Return of funds to funding source	-	-	-	-	<u>< 6,125></u>
Transfer costs to/from general	-	-	-	-	-
Net assets, beginning of year	<u>2,906</u>	<u>56,126</u>	<u>5,863,415</u>	-	<u>9,149,778</u>
Net assets, end of year	<u>\$ 2,906</u>	<u>\$ 62,873</u>	<u>\$ 7,865,738</u>	<u>\$ -</u>	<u>\$ 11,149,808</u>

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF EXPENSES - DIRECT AND INDIRECT COSTS

For the year ended December 31, 2012

	<u>DIRECT COSTS</u>	<u>INDIRECT COSTS</u>	<u>TOTAL COSTS</u>
EXPENSES			
Salaries	\$ 7,661,608	\$ 561,155	8,222,763
Fringe benefits	2,661,243	162,718	2,823,961
Travel	119,357	42,257	161,614
Contractual	2,343,592	23,911	2,367,503
Supplies	980,283	6,735	987,018
Food costs	792,839	-	792,839
Subrecipient costs	9,411,401	-	9,411,401
Equipment expenses	242,640	21,407	264,047
Insurance	85,959	162,082	248,041
Assistance to individual	3,676,224	-	3,676,224
Telephone	185,961	26,771	212,732
Occupancy	664,528	26,880	691,408
Construction costs	596,598	-	596,598
Vehicle expense	16,477	-	16,477
Postage	6,905	2,347	9,252
Other costs	586,912	27,931	614,843
TOTAL EXPENSES	<u>\$ 30,032,527</u>	<u>\$ 1,064,194</u>	<u>\$ 31,096,721</u>

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2012

<u>PROGRAM TITLE</u>	<u>PASS THROUGH CONTRACT NO.</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENT COSTS</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Head Start – Full Year Center & Home Based	-	93.600	\$ 26,545,378	\$ 9,411,401
Passed through Louisiana Workforce Commission: Community Services Block Grant	-	93.569	1,741,893	-
Passed through Louisiana Association of Community Action Partnership, Inc.: Low-Income Home Energy Assistance Program	-	93.568	<u>3,827,082</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>32,114,353</u>	<u>9,411,401</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State of Louisiana: Child Care Food Program	-	10.558	<u>706,618</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>706,618</u>	<u>-</u>
U.S. DEPARTMENT OF ENERGY				
Passed through Louisiana Association of Community Action Partnerships, Inc. Weatherization Assistance Program - ARRA	-	81.042	<u>88,237</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF ENERGY			<u>88,237</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 32,909,208</u>	<u>\$ 9,411,401</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.
2. The Head Start - Full Year Center & Home based grant required non-federal funds totaling 20% of the grant. The in-kind contributions totaled \$6,792,506. The corporation was in compliance with the matching requirements of the grant.
3. The subrecipient costs consist of the following:

Central City Economic Opportunity Corporation	\$ 1,311,263
Kingsley House, Inc.	3,479,522
Urban League of Greater New Orleans	429,300
Catholic Charities of New Orleans	<u>4,191,316</u>
	<u>\$ 9,411,401</u>

Justin J. Scanlan, C.H.A., I.F.C.

A LIMITED LIABILITY COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Board of Directors
Total Community Action, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Total Community Action, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Total Community Action, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Total Community Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Total Community Action, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlan, CPA, LLC

New Orleans, Louisiana
April 24, 2013

Justin J. Scanlan, C.P.A., L.L.C.

A LIMITED LIABILITY COMPANY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of Directors
Total Community Action, Inc.

Report on Compliance for Each Major Federal Program

We have audited Total Community Action, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Total Community Action, Inc.'s major federal programs for the year ended December 31, 2012. Total Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Total Community Action, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Total Community Action, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Total Community Action, Inc.'s compliance.

Basis for Qualified Opinion on Head Start - Full Year Center & Home Based Program

As described in the accompanying schedule of findings and questioned costs, Total Community Action, Inc. did not comply with requirements regarding CFDA 93.600 Head Start as described in finding number 2013-1 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Total Community Action, Inc. to comply with requirements applicable to that program.

Qualified Opinion Head Start - Full Year Center & Home Based Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Total Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Head Start - Full Year Center & Home Based Program for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Total Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

Total Community Action, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Total Community Action, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Total Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Total Community Action, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate to the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Total Community Action, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133.

Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
April 24, 2013

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2012

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs:

Qualified –

Head Start – Full year

Center HomeBased Program

Unmodified – Community Services

Block Grant and Low Income

Home Energy Assistance

Program

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133?

 X yes

 no

Identification of major programs:

CFDA Numbers

Name of Federal Program

93.600

U. S. Department of Health and Human Services

93.569

Head Start – Full Year Center Home Based

93.568

Community Services Block Grant

Low Income Home Energy Assistance Program

Dollar threshold used to distinguish between type A and B
programs:

\$ 987,276

Auditee qualified as low-risk auditee?

 yes

 X no

TOTAL COMMUNITY ACTION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2012

B. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended December 31, 2012.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

COMPLIANCE

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2012-1 ENROLLMENT

Head Start – Full Year Center & Home Based – CFDA No. 93.600; Grant No. 06CH0473/47;
Grant Period – Year ended December 31, 2012

Statement of Condition: The enrollment levels did not adhere to the levels specified in the financial assistance award.

Criteria: The enrollment levels must equal or exceed 2,510 students for the year ended December 31, 2012. Also, 10% of the total number of children enrolled must be children with disabilities determined to be eligible for special education and related services.

Effect of Condition: Costs may be disallowed by the grantor.

Questioned Costs: None.

Cause of Condition: The enrollment levels totaled 1,951 students for the year ended December 31, 2012. The number of children enrolled with special education needs were below the 10% threshold.

Recommendation: The enrollment levels should be monitored monthly to assure enrollment levels adhere to the levels specified in the financial assistance award.

Response: See Corrective Action Plan.

TOTAL COMMUNITY ACTION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2012

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

The status of the prior year audit findings are as follows:

<u>Compliance</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Audit Finding No.</u>
2011-1 Enrollment		X	2012-1
2011-2 Cash Management	X		
2011-3 Allowable Costs (\$ 728,534)	X		
2011-4 Allowable Costs (\$ 6,125)	X		
2011-5 Reporting	X		
2010-3 Allowable Costs (Note)		X	

Note: As of December 31, 2012, the prior year questioned costs totaling \$18,916 has not been resolved. The questioned costs relate to funds passed through the State of Louisiana, under the Temporary Assistance for Needy Families – CFDA No. 93.558, Earned Income Tax Credit Program for the grant period May 1, 2009 through April 30, 2010. The organization did not administer this grant during 2012.



Response to Schedule of Findings and Questioned Costs

For the year ended December 31, 2012

2012-1 ENROLLMENT

Statement of Condition: The enrollment levels did not adhere to the levels specified in the financial assistance award.

Cause of Condition: All Head Start/Early Head Start sites currently operated by grantee and its delegate agencies were fully enrolled for the program year ending December 31, 2012. Continuing construction and/or major renovation of facilities resulted in grantee not achieving its 2012 funded enrollment level by December 31, 2012. Throughout 2012 grantee informed the Regional Office of the status of ongoing facility development. There were delays in all construction and major renovation projects. This information was provided to the Regional Office.

Since December 31, 2012, one major renovation center has opened and three other centers will open for children in August, 2013. With the opening of these three centers grantee will achieve ninety-six percent (96%) of its funded enrollment. The remaining construction project is projected to be completed the first quarter of 2014. With the opening of this center grantee will achieve 100% of its funded enrollment.

Action to be taken: Grantee will enroll and monitor attendance of children at each site to ensure full enrollment and attendance at each operative center.

Children with Disabilities

Statement of Condition: Grantee did not enroll the required percentage (10% of total number of children enrolled) of children with disabilities determined to be eligible for special education and related services.

Cause of Condition: The Head Start Act, as amended, requires that all children counted as a child with disabilities must have an Individualized Education Program (IEP) generated by the Local Education Agency (LEA). Any child suspected of having a disability must be referred to the LEA's Child Search office for assessment. This is an involved process that can take in excess of six months. At the end of the 2012 school year, children with disabilities comprised 9.5% of grantee's enrollment level. Other children were still awaiting assessment by the LEA. However, since these children had IEPs developed by other professionals (speech pathologists) they were receiving services despite grantee not being able to include them in the official count.

Action to be taken: Grantee will continue to collaborate with Child Search in scheduling timely appointments, to encourage families to meet appointments, and to provide any assistance families may need to ensure appointments are met.

2010-3 ALLOWABLE COST

Statement of Condition: Revenue exceed actual cost incurred by \$18,916.00

Corrective Action/Resolution: This is a third year unresolved question cost, that Total Community Action, Inc., has actively pursued resolution to for the past three years. As referenced in prior year audit responses the independent Auditor's citation is based on the fact that Total Community Action's contract with (former) Louisiana Department of Social Services for Earned Income Tax Credit Outreach and Tax Preparation Assistance, was a unit of service cost contract. TCA provided the contracted number of units and received full reimbursement based on contract unit cost value. The audit citation is based on the independent Auditor's review of the TCA unit of service cost documentation or lack thereof, for unit of cost value.

For the past two years this finding has been reported to both the Louisiana Legislative Auditor and Louisiana Department of Social Services [now the La. Department of Children and Family Services (DCFS)], without any request for reimbursement. Additionally TCA has initiated several requests to the former and current administrators for clearance and guidance, to no avail.

In an effort to resolve this finding, upon discussion with current DCFS leaders TCA utilized the Auditor's identified excessive revenue (\$18,916.00) to support the delivery of 2013 EITC Outreach and Free Tax Preparation Assistance services to Low Income Families consistent with the initial contract agreement.